**Testimony of Thomas Dorr,**

**Under Secretary of Agriculture for Rural Development**

**before the**

**Senate Committee on Commerce, Science & Transportation**

**10:00 a.m. March 7, 2006**

**Room 562 Dirksen Senate Office Building**

**Washington, D.C.**

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**Chairman Stevens and members of the Committee, I appreciate the work you are doing and especially this group of hearings regarding communications issues and policies. From my standpoint, I am especially excited that you are holding this hearing today regarding rural telecommunications, which in today's digital global economy, includes telephony, data transmission, video transmission, and even mobility.**

**A key opportunity for rural communities today arises from the communications revolution, especially broadband. The title of your hearing is "Rural Telecommunications," but in today's digital, global economy, broadband and telecommunications cannot be separated.**

**Information Technology (IT) is producing the most dramatic decentralization of information in human history. Today, data can be shared easily across great distances.**

**We no longer need everyone in the same building so they can talk, or shuffle paper from desk to desk. Administrative structures, manufacturing, and distribution networks can be decentralized.**

**To a degree unprecedented in history, people are going to have choices about where to live and how to work. The same is true of businesses. From a rural development perspective, this leverages "Place." It lets you live locally and compete globally.**

**Bottom line, broadband has the potential to make rural communities more competitive than they have been in generations. The Administration recognizes this potential, and we are making significant progress toward President Bush's call for universal, affordable access to broadband technology by 2007.**

**Small businesses and individual knowledge workers in remote communities can now be just a click away from the global marketplace. With a modem, you can do business with anyone in the world. Through our rural telecommunications and broadband programs, USDA Rural Development is helping rural communities get connected.**

**WHAT HAVE WE SEEN IN THE RURAL DEVELOPMENT PROGRAMS?**

**The programs under the authority of USDA Rural Development that play a role in bringing high-speed telecommunications services to Rural America include the telecommunications loan program, started in 1949, the Broadband Access Loan Program, authorized by the 2002 Farm Bill, the Community Connect Grant Program funded through the Distance Learning and Telemedicine Authority, and the Distance Learning and Telemedicine Grant Program, which makes use of high speed telecommunications.**

**The Rural Broadband Access Loan Program began making loans in 2003. To date, we have approved 53 applications for an approximate**

**total of $850 million. Demand for the program remains strong, and we have streamlined the application process to ensure that we respond to all applications as quickly and efficiently as possible. Our specialists have reviewed all applications received under this program, and one-third of those applications met the eligibility requirements and received approval for funding. For Fiscal Year 2006, over $650 million in broadband loan funding is available for new applications.**

**The approved applications cover a wide range of technologies including digital subscriber line, fiber-to-the-home, hybrid fiber coax, wireless and broadband over powerline facilities. Of the loans that have been approved approximately 23% have been to start-up entities. Other entities receiving loans include existing independent telephone companies, cable companies and broadband companies.**

**Statistics compiled from the approved loans indicate that 41% of the communities included in the applications did not have access to broadband service, and 49% of the communities had limited access to these services. The average penetration rates (usage percentages) for the unserved communities are projected to be 42% of households passed**

**and for the underserved communities 12% of households passed. (The 12 percent comes from both new users and users that switch from other providers. Information is not yet available for how much overall community use has increased.)**

**As good stewards of the taxpayers' money, we must make loans that are likely to be repaid. One of the challenges in determining whether a proposed project has a reasonable chance of success is validating the market analysis of the proposed service territory and ensuring that sufficient resources are available to cover operating expenses throughout the construction period until such a time that cash flow from operations become sufficient.**

**The loan application process that we have developed ensures that the applicant addresses these areas and that appropriate resources are available for maintaining a viable operation.**

**The broadband program authorized by the Farm Bill is in the third year of loans. Rural Development is looking at both the process and the structure of broadband program. With this review of all aspects of the**

**broadband program, we will make the changes we can and may suggest others to make this program more user friendly while protecting the taxpayer investment in broadband deployment.**

**In addition, USDA Rural Development requires any infrastructure built under the traditional telecommunications program to be broadband capable. This requirement has been in place since the mid 1990s to ensure quality service to rural citizens. USDA's goal is to provide the best quality service possible at a reasonable price for rural citizens.**

**NATIVE AMERICAN TRIBAL LANDS**

**Over a third of the Community Connect Broadband Grants made by USDA Rural Development – 27 out of 75 – have gone to tribal entities. As one example, the Havasupai -- down in the bottom of the Grand Canyon – is the last community in the United States to get mail by mule. Last year, USDA presented a check for $1.3 million to install wireless broadband Internet service. At the other end of the country, in Hughes, Alaska, USDA did the same for a native village of 78 people.**

**Projects like this open the door to economic development. In Hughes, for example, the tribe is going to use its website to facilitate the sale of arts and crafts as well as value-added seafood products. Residents will be able to earn income by providing data processing services. Videoconferencing will enhance educational and health care options.**

**The Pew Report that was released the first part of 2006, reports some different trends than we have seen in previous years. In the past, we have seen figures that indicated Internet usage was tied to income, education, and age.**

**The numbers we are seeing in this report indicate that availability is the number one factor affecting Internet usage. If broadband service is available, rural citizens and businesses seem to have as high a usage rates as any urban area.**

**There are some other issues. On average, it costs three times more to provide service to rural customers, than to customers located in urban areas. Availability and affordability cannot be separated. Competition improves affordability, and often, the quality of service. Lack of density**

**and the remote nature of many communities add problems not found in urban areas. Problems such as dealing with environmental challenges or providing wireless service through mountainous areas, all add to the cost of deployment.**

**This is a dynamic industry. You can listen to the news or look at the newspaper each day and read of new inventions and new innovations. But broadband is not an end in its self. It is a tool to be used. It helps to bridge barriers of time and distance that rural America has faced through the years.**

**We are witnessing the changes. One village or town … one business … one family at a time, Rural America is transforming.**

**It won't happen overnight -- but if we do our jobs right, I am convinced that smaller cities, small towns, and rural areas, including Tribal Lands, have a very bright future ahead.**